

***DECLARATION OF PHILLIP A. BARNETT
IN SUPPORT OF A COMPLAINT FOR FORFEITURE***

I, Phillip A. Barnett, upon my oath make the following statements under penalty of perjury:

- 1) I am employed as a Special Agent with the Internal Revenue Service, Criminal Investigation, Washington, D.C. Field Office located at 2426 Lee Highway, Suite 104, Bristol, Virginia 24202. I have been so employed since December 12, 1994. During my law enforcement career, I have investigated felony cases and executed federal search and seizure warrants.
- 2) This affidavit is made in support of the filing of a complaint for forfeiture against cash which was involved in or traceable to a conspiracy to commit violations of Title 31, United States Code, Section 5324.
- 3) In April 2010, I began an investigation involving allegations of structuring violations and other related crimes committed by J.D. "Dot" McReynolds. In March 2011, J.D. "Dot" McReynolds began cooperating and subsequently the investigation was expanded to include several other individuals in Tazewell County, Virginia, McDowell County, West Virginia and other locations in Virginia and West Virginia.
- 4) A summary of the relevant facts are set forth below and are based upon an accumulation of the investigation by law enforcement officers, personal knowledge, public records, witnesses, financial institution records, and additional investigative techniques, however, it does not include all information known to me regarding this investigation from these same sources.
- 5) From on or about January 1, 2007, through on or about February 24, 2011, in the Western District of Virginia and elsewhere: J.D. "Dot" McReynolds, Sandra Addair, Angela Payne, Henry Barnett, Hung Q. Nguyen, David Raber, Truong Nguyen, Jeffrey K. Justus, Michael Poskas, Billy Ray Dotson, David Cordill, Clinton Ramey, Darrell Felts, Melvin Parsley and Allen Workman and others conspired to structure

currency transactions to avoid reporting requirements in violation of 31 U.S.C. § 5324(a)(3) and cause or attempt to cause a financial institution to file a report or to maintain a record that contains a material omission or misstatement of fact as part of a "Check Cashing Scheme", in violation of 31 U.S.C. § 5324(a)(2).

6) At times relevant to this declaration:

- J.D. "Dot" McReynolds, Charles E. "C.E." McReynolds II and others participated in a "Check Cashing Scheme" as further described below:

i) J.D. "Dot" McReynolds was a resident of Tazewell, Virginia. J.D. "Dot" McReynolds was an owner of E&J Mine Supply Inc., JD&C Mine Supply Inc. and L&A Trucking. On April 2, 2012, McReynolds pled guilty. He admitted to his role in conspiring with others in the "Check Cashing Scheme".

(a) E&J Mine Supply Inc., a C-corporation, was incorporated in West Virginia on approximately January 15, 1997. Its principal place of business was Bishop, Virginia and its registered agent and owner was J.D. "Dot" McReynolds. When formed, its primary business purpose was listed as being a repair shop.

(b) JD&C Mine Supply Inc. was incorporated in West Virginia on approximately June 2, 2009. Its principal place of business was Bishop, Virginia and its registered agent was Sandy's Bookkeeping Service of Caretta, West Virginia.

(c) L&A Trucking was an unincorporated entity owned and operated as a "doing business as" entity by J.D. "Dot" McReynolds. For banking purposes, its mailing address was the home address of J.D. "Dot" McReynolds.

ii) Charles E. "C.E." McReynolds II was a resident of Valls creek, West Virginia. Charles E. "C.E." McReynolds II was employed by E&J Mine Supply Inc. and JD&C Mine Supply Inc. On April 4, 2012, Charles E. "C.E." McReynolds pled guilty. He has admitted to his role in assisting J.D. "Dot" McReynolds in the "Check Cashing Scheme".

7) The "Check Cashing Scheme" was designed to hide the withdrawal of cash from various coal and coal related companies by the companies' operators ("coal operators"). J.D. "Dot" McReynolds provided cash and fraudulent invoices to the coal operators. In return, the coal operators paid J.D. "Dot" McReynolds a 10% fee, which they included in the check that they made payable to J.D. "Dot" McReynolds or one of his businesses. Most, but not all of the 10% transactions involved fraudulent invoices. More than \$9 million in cash was distributed as part of the "Check Cashing Scheme". An example of the "Check Cashing Scheme" is as follows:

- i) J.D. "Dot" McReynolds, or an associate of his, would give the coal operator \$30,000 in cash and a fraudulent invoice showing the purchase of \$33,000.00 in equipment and/or supplies.
- ii) The coal operator would then cause a check to be issued to J.D. "Dot" McReynolds or one of his businesses in the amount of \$33,000. Using this example, J.D. "Dot" McReynolds received a 10% check cashing fee of \$3,000. The coal operators used the fraudulent invoices for tax purposes so they could deduct the fraudulent "payments" to J.D. "Dot" McReynolds as business expenses on their business income tax returns.

8) The coal operators used the cash obtained from the "Check Cashing Scheme" for various purposes. Some operators used the cash to pay their employees in cash to (a) avoid paying employment taxes; (b) assist the employees in avoiding income tax; and (c) to conceal their employment status. Some operators diverted the cash to their own personal use and did not pay taxes on the income received as cash.

9) To obtain the necessary funds to funnel cash as part of the "Check Cashing Scheme", J.D. "Dot" McReynolds and his associates structured over \$9 million in cash out of financial institutions in Virginia and West Virginia to avoid currency transaction reporting requirements by making multiple withdrawals of less than \$10,000.00. As an example, McReynolds wrote and cashed the following checks that were drawn on the JD&C Mine Supply, Inc. checking account at Grundy National Bank:

- i) October 25, 2010, check number 1554 for \$9,500,
- ii) October 26, 2010, check number 1555 for \$9,000,
- iii) October 27, 2010, check number 1556 for \$9,500.

Over 800 checks were cashed on multiple days for amounts ranging from \$9,000 to \$9,900 to avoid the filing of a currency transaction report.

10) On some occasions, Charles E. "C.E." McReynolds II delivered the cash and fraudulent invoices to the coal operators or their designees.

11) J.D. "Dot" McReynolds and Charles E. "C.E." McReynolds II did not report the income received from the "Check Cashing Scheme" and did not pay taxes on their income.

12) Sandra Addair and Angela Payne provided bookkeeping services for J.D. "Dot" McReynolds, Henry Barnett, Hung Q. Nguyen, Truong Nguyen, and David Raber. Addair and Payne (1) were aware of and participated in the "Check Cashing Scheme"; (2) received cash and fraudulent invoices on behalf of some of the coal operators on occasion; (3) reported the fraudulent invoice amounts as business expenses on the coal operators' books and taxes; and (4) assisted some of the coal operators in using some of the cash received from the "Check Cashing Scheme" to pay their employees cash for which taxes were not paid.

- i) Sandra M. Addair was the owner of Sandy's Bookkeeping Service, a sole proprietorship. She was a resident of War, West Virginia. On April 2, 2012, Addair pled guilty and admitted to participating in the "Check Cashing Scheme".
- ii) Angela Payne was an employee of Sandy's Bookkeeping Service. She was a resident of War, West Virginia. On April 2, 2012, Payne pled guilty and admitted to her role in the "Check Cashing Scheme".

13) Henry Barnett, Truong Nguyen, David Raber, Hung Nguyen, Jeffrey Justus, Michael Poskas, Billy Ray Dotson, David Cordill, Clinton Ramey, Darrell Felts, Melvin Parsley and Allen Workman have admitted to participating in the "Check Cashing Scheme" with JD and CE McReynolds as further described below:

- i) Henry Barnett was a resident of Tazewell, Virginia. Truong Nguyen was a resident of Tazewell, Virginia. Barnett and Truong Nguyen operated and controlled Ambush Mining Inc., Long Bing Leasing Inc. and DDS Leasing Inc. in Caretta, West Virginia. On April 2, 2012, Barnett pled guilty and admitted to his role in the "Check Cashing Scheme". On April 4, 2012, Nguyen pled guilty and admitted to his role in the "Check Cashing Scheme".
- ii) David Raber was a resident of Tazewell, Virginia. Hung Q. Nguyen was a resident of Iaeger, West Virginia. Raber and Hung Q. Nguyen operated and controlled Harman Branch Mining Inc. in Caretta, West Virginia. On April 4, 2012, both Raber and Nguyen pled guilty and admitted to their role in the "Check Cashing Scheme".
- iii) Jeffrey K. Justus was a resident of Pounding Mill, Virginia. Justus operated and controlled Tech Leasing and Rebuild Inc. and Justus Trucking Inc. On April 3, 2012, Justus pled guilty and admitted to his role in the "Check Cashing Scheme".
- iv) Michael Poskas was a resident of North Tazewell, Virginia. Poskas operated and controlled Hard Rock Coal and Postar Coal Company. On April 4, 2012, Poskas pled guilty and admitted to his role in the "Check Cashing Scheme".
- v) Billy Ray Dotson was a resident of Meadowview, Virginia. David Cordill was a resident of Doran, Virginia. Dotson and Cordill operated and controlled Black Belt Mining Inc. On April 4, 2012, Dotson and Cordill pled guilty and admitted to participating in the "Check Cashing Scheme".

vi) Clinton Ramey was a resident of Abingdon, Virginia. Ramey operated and controlled C&J Leasing, Inc. and East Star Mining, Inc. On June 2, 2012, Ramey pled guilty and admitted to participating in the "Check Cashing Scheme".

vii) Darrell Felts was a resident of Ballard, West Virginia. Darrell Felts operated and controlled Coal Country Mining Inc. On June 14, 2012, Felts pled guilty and admitted to participating in the "Check Cashing Scheme".

viii) Melvin Parsley and Allen Workman operated Newhall Contractors and Parsley Enterprises. On August 28, 2012, both Parsley and Workman pled guilty and admitted to participating in the "Check Cashing Scheme".

14) The following individuals received cash in excess of the amounts listed below which was involved in and traceable to the conspiracy to structure monetary transactions:

Sandy Addair	\$50,000.00
Henry Barnett	\$200,000.00
David Cordill	\$45,000.00
Billy Ray Dotson	\$45,000.00
Darrell Felts	\$850,000.00
Jeffrey Justus	\$300,000.00
J.D. McReynolds	\$500,000.00
Hung Nguyen	\$200,000.00
Truong Nguyen	\$200,000.00
Melvin Parsley	\$600,000.00
Angela Payne	\$1,000.00
Michael Poskas	\$30,000.00
David Raber	\$200,000.00
Clinton Ramey	\$10,000.00
Allen Workman	\$600,000.00

The United States now seeks to forfeit this cash which represents property involved in and traceable to the conspiracy to violation Title 31, United States Code, Section 5324.

I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 28 day of Sept., 2012.

A handwritten signature in black ink, appearing to read "P. A. Barnett", written over a horizontal line.

Phillip A. Barnett

Special Agent, IRS-CID